Coast Line				
(1) all FEC stations	48,552	47.3	7,208,708	46.4
(2) FEC north end	23,018	47.4	2,059,286	45.9
(3) FEC south end	25,534	47.2	5,149,422	46.6
Southern Railway				
(1) all FEC stations	22,036	21.5	4,554,959	29.3
(2) FEC north end	6,064	12.5	935,379	20.9
(3) FEC south end	15,972	29.6	3,619,580	32.8
Total all connections				
(1) all FEC stations	102,664	—	15,533,020	—
(2) FEC north end	48,611	47.3	4,482,095	28.9
(3) FEC south end	54,053	52.7	11,050,925	71.1

East Coast presently operates two daily freight trains in each direction, supplemented by extra sections during seasons when perishables move. Trains Nos. 97 and 343, which depart Jacksonville (Bowen Yard) at 12:01 p.m. and 3:00 p.m., respectively, carry southbound traffic from connections, and provide placement in Miami the same night and at other locations the following morning. Miami freight cars are classified on No. 97, which operates non-stop to Miami except for crew changes at two points, and No. 343 handles cars for New Smyrna Beach, (where cars for connection with Coast Line at Benson Junction are added) Fort Pierce, Port of Palm Beach, West Palm Beach, and Fort Lauderdale. Local freight trains operating with yard engines effect deliveries at set-off points and at intermediate points. East Coast officials fear that in the event the suggested protective conditions are not prescribed herein, the proposed consolidation of applicants' freight routes and schedules would cause diversion of traffic; would result in unavoidable consolidation of trains Nos. 97 and 343; and be responsible for delays up to 24 hours in completing deliveries at Miami. As foreseen by East Coast, the reduced traffic availability and change in train service inevitably would be followed by further deterioration in East Coast's service, and in greater losses of traffic and revenue.

Passenger trains operated by East Coast connect at Jacksonville, with Seaboard, Coast Line, and Southern. Its through passenger trains from and to points in the East and the West are handled in conjunction with Coast Line, largely in direct competition with Seaboard. In 1960,

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passenger traffic revenues contributed $4,654,992, or 15.4 percent of East Coast's total railway operating revenue of $30,277,877. While some of the passenger trains operate at losses, the principal first class through trains between Miami and New York City are profitable. These include the "East Coast Champion" (trains Nos. 1 and 2), and the "Florida Special" (trains Nos. 87 and 88), which Coast Line operates between Washington and Jacksonville. Because the points between West Palm Beach and Miami are extensively developed as year-round vacation resort areas, tourists' travel accounts for a preponderance of the passengers using the through trains. The East Coast Champion has comparable departure and arrival schedules, and otherwise is directly competitive with Seaboard's "Silver Meteor" north of Jacksonville and south of West Palm Beach. Studies show that more than $3,600,000 of the total passenger service revenues of East Coast accrued from interline passengers to and from points between West Palm Beach and Miami, both inclusive. Without the benefit of the through passengers, East Coast believes it would be unable to operate its present trains between Jacksonville and West Palm Beach.

East Coast's accounting, operations, and freight and passenger traffic officers recomputed the expected annual loss in East Coast's revenue as a consequence of the proposed merger of Seaboard and Coast Line, which the applicants estimate would be $312,395, and conclude that such amount is considerably understated. Rather, they contend that the loss would include $548,183 earnings on traffic originated by Coast Line and in-

terchanged with East Coast for delivery at and south of West Palm Beach, and $1,862,607 representing the total interchange traffic for such destinations on traffic received from Coast Line, Seaboard, and their various subsidiary and solely or jointly leased companies. Further, East Coast submits that of its entire annual revenues, amounting to $11,050,925 (based upon the 1960 projected totals,), the equivalent of 67.2 percent (ratio of Seaboard and Coast Line interchange traffic to the total interchange traffic in question) of 71.1 percent (ratio of such interchange revenue to total southbound revenues in 1960) or $5,280,044, representing the total revenues of traffic terminated at and south of West Palm Beach, would be jeopardized by being rerouted for delivery over Seaboard's line south of West Palm Beach. East Coast considers that such an eventuality could occur before the end of the fifth year following consummation of the proposed merger.

Compared to the $184,456 representing the adjusted 1955-59 East Coast average annual net income after fixed charges, described hereinabove, East Coast estimates that had the effects of competing with the merged company prevailed during the 1955-59 period, the similarly adjusted net income

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after fixed charges would have been as follows: (1) Deficit of $446,-187, computed on the applicants' estimate of diverted traffic causing revenue loss of 1.03 percent of the total revenues, plus loss of passenger traffic revenues of $2,510,490, and $247,747 incidental revenues received on passenger trains Nos. 1 and 2, and 87 and 88, after appropriate adjustments of average freight operating expenses, out-of-pocket costs pertaining to passenger train service, payroll tax accruals, hire of equipment costs, and reduced joint facility rentals at the Jacksonville Terminal Company properties; (2) deficit of $917,427 based upon reduction in freight revenues of $1,957,567, or, 11.5 percent as computed

by East Coast; and (3) deficit of $1,932,923, giving effect to the ultimate injury to East Coast at the end of the 5-year period to perfect the merger of Seaboard and Coast Line, and the complete diversion of the $5,280,044, or, 32.7 percent of the revenues received on the present Seaboard and Coast Line southbound interchange traffic delivered by East Coast at and south of West Palm Beach.

Evidence pertaining to the prospective effect upon East Coast, and similarly, for each of the other railroad interveners, embraced many statements and opinions of experienced traffic officials relating to the power of railroads to dictate or control the routing of shipments moving over their lines. In essence, there is agreement that railroads actually designate the routing to be applied to freight movements in not more than about 5 percent of the carloads transported. However, it is clear that through their organizations of sales representatives and traffic solicitors, the railroads are able to, and do influence the shippers' decisions as to desirable routes available in terms of rates and charges applicable, and service and elapsed time in transit which would most conveniently satisfy the requirements of the shippers. Persons experienced in railroad sales and service activities and in traffic promotion agree that the greatest influence upon a shipper by railroad solicitors lies with the originating carrier; that the delivering carrier is in the second most effective position to attract new business and prevent loss of existing traffic, and that the least strength in these matters is in the position of the intermediate carriers which handle the cars and trains between the lines of the originating and terminating railroads. In the same order of descending potency, the railroads involved are able to exercise the customarily recognized right of retaining the traffic on its lines for the longest possible hauls consistent with instructions of the shippers and observance of the lowest applicable rates and overall transportation costs.

Heretofore, as connecting carriers serving areas as extensions of each other's lines, East Coast and Coast Line forces have cooperated closely and a competitive situation has not existed. East Coast's officers are

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apprehensive about the increased competition it would suffer upon the merger herein being consummated, because it would be required to compete directly with the combined sales and solicitation strength of Seaboard and Coast Line. East Coast fears it would face new disadvantages within its own service territory, and, in addition would lose Coast Line's assistance within the areas served by the applicants and their family railroads, and at many major industrial and consumer centers throughout the United States and in foreign countries. Statistically, East Coast maintains 9 freight traffic offices, of which 5 are at points on its lines and the others at Atlanta, Chicago, Cincinnati, and New York City; Coast Line maintains such offices in 63 cities, Seaboard in 60. Together, the freight traffic officers of the applicants and affiliated carriers, including L-and-N, are located in 66 different cities including 21 in Florida. East Coast's freight offices on its lines employ a total of 17 persons, while at the same points Seaboard and Coast Line have 26 and 27 employees, respectively. East Coast also maintains passenger traffic offices at 4 points on its lines compared to a total of 71 such offices of the applicants and family lines, including 15 points in Florida and 56 at 32 other points.

Counsel of East Coast argues that harmful results, at least as great as those predicted in the calculations and conclusions hereinabove are inevitable, even in the event that the Commission should prescribe conditions requiring continuation of existing open routes and channels of trade suggested by the applicants. Nevertheless, East Coast asserts that the merger herein could be found consistent with the public interest if its ap-

proval is made subject to the additional protection encompassed in the conditions which preface the discussion of East Coast's position as intervener. Several of the suggested conditions cover, in specific terms, the same topics generally included in those which the Commission has found adequate and reasonable in deciding other merger proceedings. Others would require the merged company to transfer to East Coast certain trackage, and to abandon a connecting segment, which together would assure East Coast's exclusive operations on the east coast of Florida to and from West Palm Beach and points south. Such benefits, of course, are sought as a means of protecting East Coast from any adverse effecting arising from the merged company diverting any portion of the traffic now participated in by East Coast.

The affirmative evidence proffered by East Coast in support of the suggested conditions is limited to the proposal that Seaboard be required to transfer by sale to East Coast at a fair and reasonable price, the line of railroad extending from Marcy (about 48 miles northwest of West Palm Beach) via West Palm Beach and Miami to Homestead,

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a total of approximtely 150 miles, and that the merged company be required to abandon its line extending from Marcy to the next station at Okeechobee, about 13.2 miles. If prescribed, East Coast anticipates that the service route between Jacksonville and points south would be about 40 miles shorter than Seaboard's present route; that south of West Palm Beach, operations would be over the trackage acquired from Seaboard, and industries and team tracks of East Coast would be served by local trains; that the movement of through trains within the downtown areas of West Palm Beach, Fort Lauderdale, Hollywood, Miami, and other points through which East Coast's line presently operate would be eliminated by routing over Seaboard's trackage; that such

would reduce by about 80 percent the present movement of trains through the business areas; that the present average of approximately 4,700 daily train movements over grade crossings between West Palm Beach and Miami over East Coast's line would be reduced to about 950 train movements per day; that many buildings, tracks, and other facilities of East Coast could be removed from downtown areas of the points it serves; and that if operations continue, an eventual decrease of about 730 employees would be required.

Generally, the foregoing allegations are not supported by specific details and descriptions of facilities where changes would be effected. This, East Coast explains, is because it was not accorded a sufficient period of time after its emergence as a reorganized corporation to permit its staff to complete studies and plans for the type of operations that would be feasible. Its conclusions are based primarily upon decisions that neither its own main line nor the trackage acquired from Seaboard would be abandoned as an entirety, but, that more than 100 miles of second main track would be subject to future abandonment. Further, East Coast expects to conduct freight, passenger, and express operations into, from, and within Miami on Seaboard's trackage, and to utilize the latter's freight yard and locomotive- and car-shop facilities at Hialeah, (west of the Miami business district) and its passenger terminal facilities within Miami. East Coast's present terminal and yard properties, to the extent they duplicate the foregoing facilities and would not be required for industrial switching purposes, would be removed from service. Freight service adequate to replace that presently provided by Seaboard, in addition to East Coast's own service would be operated in accordance with the demands of the traffic available.

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Studies by East Coast's finance department, the results of which were presented in exhibit form, based upon Seaboard's

total system traffic and related operating revenues, expenses, and net income data reported to the Commission for the year ended December 31, 1959, reflect estimates (the details of which were explained for the first time in East Coast's brief) which indicate that the traffic originated and terminated by Seaboard at and south of West Palm Beach[10] resulted in net railway operating deficit of $1,128,551, computed as follows: Total railway operating revenue $16,215,703 ($10,121,465 freight, and $6,094,238 passenger service); total expenses $17,344,254 including adjusted average railway tax accruals and hire of equipment costs, and operating expenses based upon Seaboard's 1959 freight operating ratio of 82.96 percent and passenger operating ratio of 125 percent, both adjusted to give effect to special characteristics which allegly make the costs of handling traffic at and south of West Palm Beach considerably higher than Seaboard's system averages. Thus, 25 percent of the computed expenses of Seaboard is added as an arbitrary factor in view of the freight moving over Seaboard's line concerned herein being such that it requires terminal services in every instance; practically all the cars entail empty mileage in one direction; and the handling of fruits and vegetables is accompanied by high loss and damage claims, and requires special protective services and round-trip equipment rental charges. Other causative aspects cited relate to Seaboard's solicitation costs being high due to various competitive services being available, extra expenses of providing switching within the West Palm Beach territory, and division of the through rates to which Seaboard is entitled being based upon tariff routes 40 miles shorter than Seaboard's service routes. Likewise, a 25 percent factor is added to the computed passenger expenses to allow for the relative shortness of the movement on the line involved, and for the high percentage of Pullman-

[10]East Coast presents no data estimating the effect of operations including the Okeechobee-Marcy-West Palm Beach portion of Seaboard's line.

car and dining-car service provided on the through trains, and as incidental passenger-train and terminal service costs encountered are higher than Seaboard's system average costs.

In light of the foregoing computations, East Coast further estimates that had it operated Seaboard's Marcy-West Palm Beach-Miami-Homestead line to the exclusion of Seaboard in 1959, net railway operating income, excluding Federal income taxes, of $6,989,507 would have been realized, computed as follows: Combined total freight service revenue $35,605,663 and passenger service revenue $13,414,197, or $49,019,860 together, and combined operating expenses plus adjusted railway tax accruals and hire of equipment $42,030,353. In determining the estimated combined operating expenses,

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$9,084,287

of Seaboard's $17,344,254 computed 1959 operating expenses are added to East Coast's actual 1959 expenses, on the theory that the latter's operating expenses would be increased by an amount equal to 50 percent of East Coast's 1959 freight operating ratio of 53.98 percent and of its passenger operating ratio of 123.15 percent, applied to Seaboard's computed expenses relating to traffic on the line at and south of West Palm Beach; that 50 percent of Seaboard's computed railway tax accruals would not be incurred by East Coast in its operations; that the added cost of hire of equipment would be 200 percent of the 1959 costs of Seaboard; and that East Coast's 1959 operating ratios would have remained unchanged even if the line in question had been operated by East Coast. As increased efficiencies are achieved and its operations are adjusted as a result of the proposed condition being complied with, East Coast anticipates that greater proportionate annual benefits would accrue in the future.

Of the remaining conditions requested, East Coast's proposal regarding future obligations of the applicants and other parties concerned with operation of the Jacksonville Terminal Company relate to the effect thereon if the proposed merger herein should be approved. Presumably, if the prevailing conditions are altered sufficiently to require modification of the contractural obligations of the parties in this regard, appropriate amendments to or supplements of the existing agreement would be negotiated. A condition as proposed in this regard would provide no protection beyond what the contractual rights of the parties might be, and would serve no purpose. East Coast made no attempt to offer evidence to justify the requested condition to require transfer to it of one of the lines of railroad operated separately by Seaboard and Coast Line between Jacksonville and Tampa and points south. On brief, East Coast points out that Southern Railway has requested an identical condition, and that East Coast intends to support its own request at future hearings, if any, ordered to determine which intervener should prevail. Therefore, consideration of that condition as to East Coast need not be accorded at this time.

In rebuttal and on limited brief, the applicants contend that East Coast's estimates of the traffic which the merged company potentially would divert are inflated, primarily because (1) in determining the proportion of interline traffic moving to West Palm Beach and points south, East Coast relates such traffic to all the interline freight moving southbound over its lines instead of limiting the comparison to so much of the interline traffic to West Palm

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Beach and south that originates on lines operated directly by Seaboard and Coast Line and reaches East Coast's line at Jacksonville, the only point of connection where East Coast traffic would be diverted upon

the merged company's consolidation of existing facilities and service; (2) in assuming that the merged company would have the general power to designate the routing of a majority of the traffic originating on its lines and be able to exercise control of routing over lines of connecting carriers including the L-and-N and other independently managed and operated subsidiaries, the capital stock of which is owned in part or entirely by Seaboard or Coast Line. The applicants assert that the ratio of 71.1 percent does not properly represent the proportion of East Coast's interline traffic which would be in jeopardy of being diverted by the merged company, and (3) by including as divertible traffic that which is delivered by East Coast to stations and industries served by it exclusively, or, where Seaboard has no direct access or arrangements to provide service at assigned sidings or team tracks as convenient as those of East Coast.

Based upon the rebuttal presentation, of which only a few adjustments are discussed hereinabove, the applicants further argue that the acknowledged common practices in the business of railroad transportation preclude any possibility of the entire potential of divertable traffic ever being lost to East Coast due to operations of the merged company. For its own best interests, the merged company would depend upon being able to participate, along with Southern Railway, in the handling of as substantial a proportion as possible of the fruits, vegetables, and citrus products which originate on East Coast's lines and are interlined at Jacksonville for continued movements northbound. Thus, the applicants show that the merged company could not afford to disturb the interchange of any disproportionate fraction of the traffic connecting with East Coast for movement southbound to West Palm Beach and beyond, and continue to hope for a reasonable division of the traffic originating on East Coast's lines. In light of this situation, applicants contend that the merged company's ability to divert traf-

fic from East Coast would be further limited. For example, Seaboard's routes north of Jacksonville are directly competitive with those of Coast Line and with Southern, particularly in regards to traffic moving to destinations beyond the lines of each. As a practical means of persuading East Coast to influence the movements of freight it originates to move via Seaboard's lines north of Jacksonville, Seaboard has found it expedient to interchange an appreciable portion of its southbound freight via Jacksonville for movement over East Coast's route even though the route could be entirely over Seaboard's line.

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During 1959, Seaboard provided about 30 percent of the combined traffic interchanged by Seaboard and Coast Line at Jacksonville for movement by East Coast to and south of West Palm Beach. As the competition by Southern Railway for participation in northbound traffic interlined at Jacksonville would continue after consummation of the proposed merger, the applicants conclude that the merged company would not be able to divert the Seaboard traffic presently interlined with East Coast. Thus, the potentially divertible traffic is reduced from $769,506 to $538 654.

Clearly, if provoked by any drastic loss in its interchange southbound traffic and revenues, East Coast could encourage the originating shippers to divert the routing of traffic over Southern Railway's routes and schedules which are competitive with those of the applicants and the merged company. In 1959, Southern received 31.5 percent of East Coast's northbound perishable traffic, and delivered to East Coast 29.3 percent of all the southbound traffic it interlined at Jacksonville. Traffic data for 1957 reveals that East Coast interlined 20,556 carloads of freight with Seaboard and Coast Line as participating overhead carriers. Adjusted to reflect a decline of 2.8 percent in the applicants' combined freight revenue in 1959 compared to 1957,

the revenue on the overhead interchange traffic totaled $2,553,-824. Should the merged company be indifferent to the interests of East Coast in future interlining of traffic to points served in direct competition with Seaboard, East Coast would be in position to convince its friendly shippers to route traffic via Jacksonville to points beyond the merged company's lines via Southern Railway and its connections.

The applicants assert that inclusion by East Coast of net losses due to what it refers to as prospective discontinuance of operation of New York-Miami through passenger trains over its lines in conjunction with Coast Line and other carriers, is not warranted. As previously related hereinabove, the applicants are agreeable to allow East Coast to decide whether it desires to continue operation of trains 87 and 88 (Florida special), which the applicants estimate are operated by East Coast at less than its avoidable costs in performing such service. Should East Coast decide that continued operation of that pair of trains would not be beneficial to itself, the merged company would assume its operation over the line of Seaboard. The other through passenger train mentioned by East Coast, Nos 1 and 2 (East Coast Champion), also operates in conjunction with Coast Line and connecting carriers. Under the applicants' proposals herein, operation of the East Coast Champion would be continued without change. Thus, rather than incur

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any operating loss related to operation of that train, East Coast would continue to enjoy its proportionate share of the profits.

The applicants disagree with the estimates upon which East Coast relies in arriving at the conclusion that discontinuance of Seaboard's operations between West Palm Beach and Homestead would provide a means of eliminating deficits

incurred because of such operations. Rebuttal studies, based upon the 1957 waybill data previously considered as to freight traffic, and 1959 passenger revenues, adjusted to January 1, 1960 levels, representing Seaboard's avoidable costs which would have been saved had it not operated south and east of Okeechobee, are shown as follows: Revenues and rents pertaining to traffic and related operations $21,916,115; operating expenses $11,273,942, including among other items, $235,360 for employment costs relating to 21 ticket clerks, freight and passenger agents, and other office personnel whose services would not be required, and $413,367 for property taxes; and net operating income before Federal income taxes $10,642,173. If the proposed changeover should take place the merged company would realize $2,707,366 from the sale of freight and passenger train equipment and certain properties within Miami which no longer would be required for operation. Additionally, annual savings would accrue equivalent to the depreciation allowances on the retired property, plus interest at the rate of 5 percent on the cash recovered, which together would total $253, 792. Thus, the applicants estimate that the surrender of the line beyond Okeechobee would result in annual losses before income taxes in the amount of $10,388,381.

Sessions of the hearing were held at Miami especially to accommodate the convenience of East Coast company witnesses, and to hear shipper and civic witnesses in support of the position and proposals of East Coast. In addition to officers and employees, 18 persons testified on behalf of their individual interests, or, the position of organizations whose members use East Coast's service for inbound or outbound traffic. Also, 18 persons appeared for various county and local community governing bodies, chambers of commerce, and other associations. Resolutions enacted by 12 of the civic groups were offered and received in evidence after cross examination of the sponsoring witnesses. The resolutions express general opposi-

tion to the proposed merger upon the premise that East Coast would suffer traffic losses which would severely injure its financial position and hamper its ability to continue present operations, and as a result, the areas which are served solely by East Coast and industries which rely upon

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its services would be in a worsened position as to available railroad service.

Many of the communities interested in the continuing welfare of East Coast are situated adjacent to ocean and bay beaches and lake recreational areas which are developed as tourist attractions and vacation centers. In that light, a unanimous concern of the civic interests is the prospect that available first-class and other types of railroad passenger service would be seriously impeded. The interests in that position admit that private automobiles and airplane passenger service provide service for a large proportion of the tourists to the detriment of railroad passenger service generally, but, they assert that every mode of transportation is necessary and that highways and airports merit public financial aid as beneficial growth factors. Nevertheless, the communities fear that the predicted adverse affect upon East Coast would be harmful to the general economy of the area by decreasing their availability to the total tourist trade. Responsible officials and trade groups representing St. Augustine where the general offices and headquarters of East Coast and its operations are located, St. Johns County of which St. Augustine is the county seat, Fort Pierce, and New Smyrna Beach expressed an additional basic objection to the proposed merger. Assuming that consummation of the merger would result in new adverse competition to East Coast and cause it to lose business and decrease its service and operations, these civic bodies fear that railroad employment in their communities would decrease and the total payrolls would suffer. Because the railroads comprise a major source of em-

ployment at these points, the civic and business leaders have recorded their concern that any adverse affect upon East Coast would bring serious dislocations and other economic hardships to the area.

The interests of individuals and concerns whose primary use of railroad service is for outbound movement of traffic in substantial volume, involve producers of fresh vegetables farmed on many thousands of acres in the area adjacent to and east of Lake Okeechobee near Belle Glade, between Fort Pierce and Lake Harbor, and in the South Bay area between the lake and West Palm Beach; and citrus fruit growers in the so-called "Indian River" area between Fort Pierce and points in the vicinity of Cape Canaveral and west of that area; and distributors of products of citrus fruits shipped from packing houses at Fort Pierce, Wabasso, Cocoa, Gifford, and Titusville, generally at shipping points served by private sidings on the lines of East Coast. The concerns represented are among the largest producers in Florida. The shippers utilize truck service for the movement of between 50 percent and 70 percent of their annual outbound shipments, mainly

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because buyers demand expedited truck service and partial deliveries at points enroute, and because the applicable rates are more favorable than railroad charges. These shippers use railroad service chiefly to take advantage of better market prices which prevail at auction markets at the major eastern cities which require that the shipments arrive by railroad. Several expressed the opinion that the present tendency is to increase the use of motor vehicles and that if railroad rates were as low as truck rates additional traffic could be attracted for railroad shipment. They concede however, that the process of rediverting traffic to the railroads would be slow for the reason that non-regulated motor carriers probably would meet any

reduced rail rates. As part of their commercial pursuits the vegetable and fruit shippers receive numerous carloads of fertilizers, feeds, and crate materials, and desire to perpetuate East Coast's position as an efficient railroad carrier to provide their needs for such inbound transportation.

Various of the other interests opposed to the merger of Seaboard and Coast Line rely primarily upon East Coast for all or most of their railroad transportation service, and support the suggested conditions to favor East Coast. The gist of their feeling is that no possible future circumstance should be permitted to develop which would have the effect of forcing East Coast insolvency and to return to a state of bankruptcy and probable dissolution. Such attitudes obtain despite acknowledgement that certain offsetting advantages to some shippers would accrue from the elimination of interchange of cars between Seaboard and Coast Line, and any improvement in operations which the merger conceivably might accomplish.

The advocates of East Coast's requests for special protective conditions assert that the Commission should assure that East Coast would be able to share in the benefits of the merger. Several shippers favor East Coast's proposals as a means of preventing the merged company's monopoly of railroad business in the east coast area of Florida. On brief, counsel for East Coast underlines the foregoing bases for approving the proposed conditions and urges that every advantage to the public which favors the requests for merger of Seaboard and Coast Line, as cogently are applicable in support of the conditions which East Coast requests for its protection.

East Coast further petitions the Commission to give consideration to a motion to deny or dismiss the application which had been presented by counsel for East Coast on February 17, 1961, upon completion of the affirmative evidence presentation by and on behalf of the applicants. The motion

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leges that the evidentiary proof of record fails to establish that operations by the merged company would be consistent with the public interest in terms of service to the public and in regard to other specified particulars. The examiner advised on the record that the motion would be presented for the Commission's decision, and complying with related rulings the interveners proceeded with presentation of their affirmative evidence. Exceptions to the examiner's rulings are renewed on brief. The allegations cited as grounds in the foregoing motion were entirely repetitive of matters already presented by the East Coast representatives in petitions to the Commission filed December 9, 1960 and January 30, 1961. By order of division 4, dated January 16, 1961, affirmed by the Commission on April 24, 1961, the petitions to deny or dismiss the proceedings and for other procedural relief were denied. Based upon the evidence of record and briefs filed by the parties, the application may be determined upon the record at this time and no action is required on the motion.

Counsel for East Coast also presses exceptions to and requests reconsideration of rulings by the examiner upon objections to specified statements contained in rebuttal evidence presented by the president of Seaboard, and in the exclusion of two exhibits consisting of eight pages each reproduced from Seaboard's annual reports for the years 1959 and 1960 filed with the Florida Railroad and Public Utilities Commission. Other than to allege that the actions constitute error and are prejudicial to East Coast and therefore should be reversed, the brief does not argue or otherwise attempt to support the requests. The rebuttal statement excepted to is recitation of the president's appraisal of the attitude of East Coast in this proceeding and his conclusions thereon. While it presents a characterization of the intervener's evidence, it serves to clarify

that the applicants' position is not modified in face of the intervener's evidence. The statement is consistent with the applicants' overall position and cannot be prejudicial to East Coast, or, in any way influence judgment of the merits of East Coast's position. Thus, there is no basis for reversal of the examiner's ruling, and, it should be sustained. The excerpts from the State Commission reports were offered by East Coast during the rebuttal presentation by the applicants. As shown in the proffer of the excerpts, they embrace traffic data regarding Seaboard's entire operations within Florida, which covers about 1,500 miles of railroad, offered to rebut evidence of operations limited to approximately 100 miles between Marcy and Homestead. The applicants objected to receipt of the system-wide totals, and the material was excluded by the examiner. The ruling was proper and should be sustained.

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In conjunction with, but neither in favor of nor opposed to the conditions suggested by East Coast, and, likewise without stating a position as to the proposed merger, is testimony offered by the United States Department of Defense, Department of the Army, Military Traffic Management Agency. The agency's sole interest in the proceeding is to protect the adequacy of railroad service to and from military installations at the Cape Canaveral missile center, and the nearby Patrick Air Force Base, as part of the defense requirements of the nation. Together, the bases employ about 21,000 persons and represent an investment of approximately $130,000,000. The bases are about 15 miles from the nearest railheads, which are the stations of East Coast at Cocoa-Rockledge, Titusville, and Melbourne. All railroad shipments for either center are delivered at the Air Force base by truck from the rail destination points. By highway, the nearest rail point other than those of East Coast, is the Coast Line station of Orlando, about 55 miles from the base. The Defense Department has not given con-

sideration to the construction of a line of railroad to reach the base area, but, inconclusive preliminary studies have been made to determine the feasibility of providing car-float facilities in lieu of direct railroad lines which would require lengthy bridge structures to reach the island on which Cape Canaveral is situated.

During the period between July 1, 1960 and March 31, 1961, in excess of 7,000 carloads of materials including sand and heavy aggregates, cement, lime rock, asphalt, structural and reinforcement steel, and other construction materials, and nearly 300 carloads of dangerous fuels, chemicals, explosives, furniture, food, vehicles and rocket motors and components were trucked to the base areas from the East Coast railheads. During the first 4 months of 1961, in addition to carload movements, the base also received more than 1,250 railway express and freight forwarder shipments. In the same 4-month period, about 260 railway express, freight forwarder, and less-than-carload shipments moved outbound by truck to the railheads.

The Defense Department considers the available combination railroad-truck service as reasonably adequate to serve the transportation needs of the Cape Canaveral installations. In the interest of national defense, in the same manner as other shippers and receivers of freight who rely upon East Coast as the primary or sole source of railroad service, the Department seeks assurance that East Coast's capacity to continue efficient operations would not deteriorate because of the anticipated diversion of essential traffic to the merged company. While the primary interest is not to achieve lower freight costs, the purpose of the Defense Department in this proceeding is to have railroad service maintained at a level as good as presently exists. Also it desires to avoid additional delays and costs and the greater hazards of considerably longer highway operations that would be entailed in trucking heavy materials and danger-

ous articles to and from Coast Line's railheads in the event that East Coast's service becomes unreliable or not available.

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The Board of County Commissioners of Martin County, by resolution made part of the record, expressed opposition to the proposed merger if certain eventualities result therefrom, and also oppose the suggested requirements that Seaboard abandon its line between Okeechobee and Marcy, and make available the line south of Marcy for East Coast's exclusive operation, on grounds that any interference with or reduction in available railroad service within the county would be inimical to its best interests. Martin County is situated between the east coast of Florida in the area south of Fort Pierce and north of West Palm Beach and the northern portion of the east shore of Lake Okeechobee. The main line of East Coast serves the coastal portion of the county, including the county seat at Stuart, and a portion of the branch line from Fort Pierce to Lake Harbor traverses Martin County along the shore of Lake Okeechobee. Seaboard's line between Wildwood and West Palm Beach extends from the north-western corner of the county via Okeechobee, Marcy, and Indiantown to the approximate center of its southern boundary. The economy of Martin County is supported primarily by extensive vegetable production, flower farming, citrus groves, dairy farms, and the raising of beef cattle. It also relies upon light industry development and the attraction of tourists. The present industries include a plant and airfield of the Grumman Aircraft Company which leases land from the county and provides a sizeable payroll to its residents. A county resources promotion board is engaged in seeking to attract new industries to the area.

Southern Railway System Lines (Southern) and affected interveners. Southern, on behalf of its operating companies, Southern Railway Company, Alabama Great Southern Railroad

Company, Cincinnati, New Orleans and Texas Pacific Railway Company, Georgia Southern and Florida Railway Company (Georgia Southern), and Carolina and Northwestern Railway Company, intervened in opposition to the proposed merger. To avert serious traffic and financial injuries which Southern foresees that it and other independent railroads would suffer as a consequence of a new combined system including the properties of Seaboard, Coast Line, and L-and-N, Southern seeks the imposition of conditions which would limit the operating activities of the merged company. Specific conditions proposed, are as follows:

1. Transfer to Southern, by sale or long-term lease, of a continuous line of railroad from a point near Hardeeville, S. C., through Jesup and Savannah, Ga., and Callahan, Fla., to Crawford, Fla., to permit Southern to operate over its own railroad between Hardeeville and Jacksonville.

2. Transfer to Southern, by sale or long-term lease, or by the grant of trackage rights, or a combination of these, of a suitable line of railroad to serve the Eastport area and Blount Island at Jacksonville.

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3. Transfer to Southern, by sale or long-term lease, of a continuous line of railroad from Jacksonville to Tampa, Fla., with branches extending into the phosphate mining region and to Naples, Fla., and through Sarasota to Belspur, Fla.

4. Opening of the Jacksonville gateway as to all applicants' traffic moving through Jacksonville, at the lowest rates available through other gateways.

5. Divestiture of all ownership or control by the merged company of the Louisville & Nashville Railroad Company.

6. Cancellation, 6 months after the effective date of the merger of existing trackage agreements under which Southern operates over Coast Line tracks between Selma, N. C., and Pinners Point, Va., with simultaneous right to cease operations over the described line.

As an alternative, in the event that No. 1 above is not granted, Southern requests that the Commission give it the right to cancel, at its option, the existing trackage agreements under which it operates over the Coast Line between Hardeeville and Jacksonville, and the right to abandon operations over this line at any time within a period of 2 years following the effective date of the merger.

Southern expresses fear that the combination of the lines and services of Seaboard and Coast Line and the subsidiaries of each, including L-and-N, would create a gigantic railroad empire having the power to dominate railroad transportation activities throughout the Southern Territory. It contends that such a merged company would blanket the area served by Southern; encircle most of its important route segments; and provide new direct competition at Southern's primary terminals and gateways. To afford reasonable protection to itself, Southern seeks the imposition of a condition in addition to those listed hereinabove, which would require transfer to Southern by Coast Line of its direct and indirect interests in the capital stock of L-and-N. During the hearing, the proposal that Southern acquire the stock of L-and-N was withdrawn, primarily because Southern has an existing line which provides access to the Ohio River, and certainty that other interested railroads would object to Southern having control of L-and-N. Southern asserts that its objectives would be satisfied merely by requiring that Coast Line divorce itself of any ownership or control relationship with L-and-N.

Southern presented in evidence an economic study consisting of 80 charts, diagrams, and maps prepared by a reputable consultant who supports the theory that Southern's welfare requires special conditions to protect it from adverse affects of the merger of Seaboard and Coast Line. The statistical and related data express

in money totals and various relative values, factors concerning recent economic and industrial expansion in the region served by the applicants, with particular emphasis on conditions within Florida compared to the region in question and to the entire United States. As interpreted by Southern, the studies show that the region comprising Virginia, North and South Carolina, Georgia, Alabama, and Florida has expanded in recent years at a rate considerably greater than the economy of the United States as a whole. Seaboard and Coast Line, whose lines lie entirely within the area studied, have had the support of an economy whose population, per-capita income, industrial, agricultural, mining, and manufacturing and industrial output, and whose retail, wholesale, and foreign trade patterns have steadily increased and contributed significantly to their financial health and stability. The resulting position of strength is credited with having enabled the applicants to withstand the competition from other forms of transportation more successfully than railroads throughout the remainder of the country. Likewise, data regarding the same factors as they pertain to Florida, show similar growth developments in every economic field to a degree considerably more favorable than for the southeastern region as a whole. The studies also demonstrate that the applicants, since the World War II period, each have enjoyed operating revenues, freight revenues, revenue ton-miles, net railway operating income, net investment in road and equipment, and gross additions and betterments (based upon 1950-59) more favorable than other Class I railroads generally. Other factors studied show that the applicants presently enjoy experiences better than the average prevailing throughout the railroad industry, as they pertain to operating ratios using various component and total expenses and related revenues, transportation ratios, gross ton-miles per freight train hour,

and composite revenue ton-mile per operating man hour, and other similar measures.

Numerous tables and charts depict statistically Southern's view of the prospective physical and economic strength of the merged company if operated with L-and-N as a consolidated railroad. The tabulations, among other things, show separately for each State within the Southern Territory, the number of miles of railroad in existence, and in each instance the aggregate number of miles of railroad, in respect of (1) Class I railroads within the States served by Seaboard, Coast Line, and L-and-N; (2) miles of railroad operated by the merged company together with L-and-N and other affiliates; (3) mileage of Southern; and (4) the combined total of other railroads in the area (namely, Central of Georgia, Illinois Central, Gulf, Mobile & Ohio, Norfolk Southern, Florida East Coast, and all others), as follows:

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	(1) *Class I Roads*	*(2)* *SAL-ACL-L&N-etc.*	*(3)* *Southern*	*(4)* *Others*
Alabama	4,373	1,957	1,255	1,161
Florida	4,405	3,572	196	637
Georgia	5,612	2,730	1,221	1,661
N. Carolina	3,766	1,756	1,441	569
S. Carolina	3,131	1,854	1,120	157
Virginia	1,447	527	757	163
Kentucky	3,868	1,834	1,336	698
Tennessee	3,449	1,700	830	919
Totals	30,051	15,930	8,156	5,965

Shown separately for each State as components of the foregoing mileages which Southern considers would constitute the system of the merged company, are the following:

	SAL	ACL	L&N	ACL-L&N family
Alabama	198	368	1,258	133
Florida	1,464	1,865	243	0
Georgia	939	1,089	288	414
N. Carolina	630	996	13	117
S. Carolina	737	778	0	339
Virginia	179	164	85	99
Kentucky	0	0	1,831	3
Tennessee	0	0	1,644	56
Totals	4,147	5,260	5,362	1,161

The system lines of Southern include approximately 8,156 miles of railroad in Virginia, North Carolina, South Carolina, Georgia, Alabama, Mississippi, Louisiana, Tennessee, Kentucky, Ohio, Indiana, and Illinois. The principal gateways served by Southern are Washington, D. C., Appalachia, Va., Louisville, Ky., and Cincinnati, Ohio on the north; East St. Louis, Ill., St. Louis, Mo., and Memphis, Tenn., on the west; New Orleans, La., and Mobile, Ala., and Palatka, Fla., on the south; and Jacksonville, Fla., Brunswick and Savannah, Ga., Charleston, S. C., Morehead City, N. C., and Norfolk and West Point, Va., on the east. Except that Southern has a line extending southeasterly from Sparks, via Valdosta, Ga., to Palatka, and southerly from Valdosta to Perry, it has no routes within Florida south of Jacksonville. Otherwise, its routes generally serve the same terminals; and are parallel to and cross the lines of Seaboard and Coast Line, within extensive portions of the States in which they operate. Exclusive of Florida points, Southern serves practically every important point served by Seaboard, Coast Line, and L-and-N.

Pursuant to a trackage agreement between the Charleston & Savannah Railway Company (a predecessor of Coast Line) and

Southern, effective December 1, 1900 for a term of 999
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years, and thereafter until terminated upon 2 years' notice by either party, Southern operates over a line of Coast Line between a point near Hardeeville, S. C., and a described junction point near Savannah, Ga., (approximately 19.9 miles) in through passenger and freight service. Also, under an agreement between Coast Line and Southern, initially dated June 10, 1902, extended by agreement dated September 26, 1944, to December 1, 1999, and thereafter until cancelled upon 2 years' written notice, Southern is accorded joint use of a main line of Coast Line between the junction near Savannah described in the 1900 trackage agreement, via Jesup and Folkston, Ga., to Jacksonville (approximately 153.6 miles), for the operation of through freight, passenger, mail, and express trains and engines. Southern's operations are subject to described restrictions reflected in traffic agreements and routing instructions issued from time to time.

The line via Hardeeville and Savannah is part of the shortest route via Southern between points in the East and Jacksonville. Nevertheless, applicable tariff routings are restricted on part of the Florida traffic (except pulpwood, paper, and related products to and from Quinlan), including traffic between points on Seaboard, and points in the East, and in the Carolinas and Virginia; and traffic between points on Coast Line (except between Jacksonville and Lake Harbor including Lake Harbor) and points on or reached via Southern north of Hardeeville or west of Jesup. Existing applicable restrictions at Jacksonville prohibit routing via Southern north of Jacksonville with certain exceptions.

Under the trackage rights, Southern has a route between Atlanta and Jacksonville via Macon and Jesup, and another route via Macon and Valdosta over the line of Georgia South-

ern. The latter route is restricted against the movement of traffic to and from Coast Line stations between Jacksonville and Lake Harbor under terms of a traffic agreement which requires that Georgia Southern traffic be interchanged at Tifton, about 159 miles north of Jacksonville. Routing agreements permit interchange at Jacksonville of pulpboard, paper, and related articles from Quinlan to points west of Macon. Traffic between points on Southern's lines in the Carolinas and Virginia, and points in the East, on the one hand, and on the other, Florida points on lines of Seaboard and Coast Line (except between Jacksonville and Lake Harbor) is interchanged at Savannah, and traffic between the West and Florida points on Coast Line, as described, is interchanged at Jesup or Tifton. The use of the Savannah, Jesup, and Tifton gateways involve schedules of Southern which are not competitive in terms of service with those of the applicants via Richmond as to eastern traffic and Atlanta as to western traffic. Compared to the combined number of cars handled by Coast Line and Southern over the trackage-rights portion of line between Hardeeville and Savannah during the 12 months ended September 30, 1960, those involving Southern's traffic were equivalent to 16.42 percent,

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and the comparable ratio of Southern's cars over the trackage between Savannah and Jacksonville was 11.27 percent.

The applicants' electronic data records pertaining to the waybill studies of carload traffic originated and terminated at Seaboard and Coast Line stations during 1957, were utilized by Southern to produce independent studies of the applicants' traffic and its effect upon Southern's present and prospective revenues. Analyses by Southern are premised upon bases somewhat different than those applied by the applicants in arriving at estimates of present operating results and probable

changes in traffic and revenue potentials due to conditions of merger. Southern's recomputations result in estimations for the constructive year 1957 as to separate originating and terminating traffic to and from stations on specified portions of the lines of Coast Line and Seaboard.

Hereinafter, are summarized several of the more pertinent combined totals grouped in categories as to each line and portion selected by Southern, as follows: (a) number of carloads of freight, classified as to groups of originating and terminating at points on the lines and portions under consideration in the individual studies, (b) total gross revenues produced by the aforesaid traffic and available for apportionment according to division agreements amongst all the railroads participating in the through movements of the traffic referred to, (c) amount of revenues accruing to Coast Line for handling the considered traffic to and from its lines, (d) amount of revenue accruing to Seaboard related to traffic to and from points on the lines described, and (e) amount of revenues accruing to Southern for its participation as a prior or subsequent, intermediate originating, or delivering railroad in the handling of the described traffic. The various stations on the lines and portions of lines of the applicants, in relation to which the foregoing data is accumulated, are grouped as to the pattern of traffic flow as follows:

1. Points served locally (no other railroad service available) by lines of Coast Line or Seaboard system and points served commonly by these carriers and not served by any other railroad—

(a)	(b)	(c)	(d)	(e)
1,255,362	$300,976,135	$85,436,100	$72,115,823	$11,187,888

2. Points in Florida served locally by Coast Line and Seaboard, and those served by these carriers commonly as the only railroads available—

(a)	(b)	(c)	(d)	(e)
835,416	$190,059,436	$56,360,639	$50,243,745	$6,125,644

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3. Points served by Coast Line and Seaboard systems which also are served by railroads other than one or both the applicants—

(a)	(b)	(c)	(d)	(e)
606,623	$175,676,305	$39,396,711	$46,155,826	$4,876,009

4. Points in Florida served by Coast Line and Seaboard which also are served by railroads other than one or both the applicants—

(a)	(b)	(c)	(d)	(e)
151,705	$56,145,901	$8,918,842	$20,078,747	$1,926,375

5. Points on Coast Line's Jacksonville-Orlando-Lake Alfred-Tampa-Port Tampa line, and points south of the Lake Alfred-Tampa line—

(a)	(b)	(c)	(d)	(e)
301,784	$72,571,233	$42,948,285	none	$1,982,018

6. Points on Seaboard's lines which are served commonly with Coast Line between Jacksonville and Tampa, and south of the Lake Alfred-Tampa lines—

(a)	(b)	(c)	(d)	(e)
246,157	$45,869,588	none	$27,509,876	$1,150,924

7. Points on Coast Line's Hardeeville-Jacksonville line (shown in detail for each applicant and Southern separately as to the leading destination and origin points and the related areas to and from which the traffic was handled beyond the applicants' lines)—

(a)	(b)	(c)	(d)	(e)
100,103	$22,275,216	$10,176,073	none	$470,159

8. Points on Seaboard's line served commonly with Coast Line on the Hardeeville-Jacksonville line—

(a)	(b)	(c)	(d)	(e)
77,533	$22,536,009	none	$11,242,207	$1,163,607

9. Points on Southern's lines on the Hardeeville-Jacksonville trackage-rights portion (shows 1959 data constructed on basis of March, June, September, and December 1959 records)—

(a)	(b)	(c)	(d)	(e)
51,694	$13,032,039	none	none	not shown

Southern contends that adequate safeguarding of the public interest requires that the present competition between railroads be preserved in the areas commonly served by the applicants. On that premise, the Commission is requested, upon approval of the merger herein, to require transfer of [71]

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portions of the lines of Seaboard and Coast Line, particularly within areas of Florida, where Southern presently has no lines or operations. Southern offers to accord trackage rights to the merged company, if it should request to operate over the Jacksonville-Tampa and related lines which Southern would acquire. Also, in regard to traffic to and from points on the acquired lines, Southern would provide routes north of Jacksonville via lines of the merged company in competition with Southern's routes, provided the merged company would reciprocate as to traffic to and from points it serves in Florida. The proposals further contemplate that in conducting operations over the various acquired or leased portions of line, Southern would have full rights to serve industries reached by such lines, whether or not the merged company would continue to provide service at the plants concerned. The same

principles would govern Southern's operations over the lines between Hardeeville and Jacksonville, even though under the existing long-term agreements Southern is prohibited from directly serving the industries on the trackage-rights lines.

Representatives of shippers and receivers of freight, and officials of communities, counties, and various trade organizations tesitified in favor of Southern's proposals to preserve competition between railroads. Several of the interests which were represented had been permitted to intervene on the basis of petitions previously filed. Rulings against repetitive testimony which would amount to cumulative evidence if accepted, prevented the calling of numerous other persons also ready to testify, and the names and interests were supplied for the record. Several individuals on behalf of public groups in Florida, who asserted they were without counsel sponsorship testified as the examiners witnesses, and based upon prior undisclosed representations by Southern, supported the general purpose of the latter's proposals to compete directly with the merged company. Among those whose testimony and positions were taken as typical of others who would have been called if permitted, are officials of the governing bodies or civic organizations representing Liberty, Wayne, Brantly, and Charlton Counties, and Jesup, Folkston, Hinesville, and Savannah Ga.; Manatee and Volusia Counties, and Bradenton and New Smyrna Beach, Fla., and Jasper County, and Hardeeville and Ridgeland, S. C. Each submitted resolutions by their organizations stating positions consistent with the proposals of Southern.

Shippers and receivers of freight whose witnesses testified at the request of Southern, include several major business firms in Tampa, representing a wholesale lumber dealer and contractor which receives between 500 and 1,000 railroad carloads of products annually, of which about 65 percent is delivered by Coast Line at facilities located on its line, and 35

percent by Seaboard under reciprocal switching arrangements; a wholesale plywood and lumber broker and dealer which receives about 300 carloads per year, of which approximately 50 are delivered by East Coast, 30 cars by Coast Line, and the remainder by Seaboard on whose line the company's plant is situated; a company which receives

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about 50,000 tons of fertilizer and fertilizer materials per year, up to 60 percent of which arrives by railroad, and distributes such products throughout Florida, mostly by trucks; and a wholesale dealer in brick and other hard building materials which receives about 500 cars per year at its facility on Seaboard's line.

In essence, the businesses represented are opposed to the creation of any company that would have a monopoly of railroad service within the areas in and through which their traffic moves. As important provider of traffic, the dealers desire to retain their existing power to instigate demands for and receive improved railroad service, better schedules of operation to expedite the movement of shipments, more reliable supply of cars, and the establishment of favorable rate structures. To this end, the industries hope to continue to rely upon the competition between separate railroads. They contend that the right of shippers to control the routing of their railroad traffic and to select which carriers should serve their plants would be extinguished if Seaboard and Coast Line, which presently compete to provide the railroad requirements of the area, should be converted to a single merged company.

The position of Southern also is supported by two of the largest manufacturers of paper and paper products in the southeast, each of which intervened in opposition to the merger herein. As interveners, they request the imposition of conditions which would provide continued competitive railroad

service in the areas presently served by Seaboard and Coast Line. The interveners acknowledge that other paper companies served by the applicants anticipate appreciable savings as a result of having additional single-line direct service available in regard to the transportation of pulpwood to their respective plants, but, assert that such benefits would not accrue in comparable degree to the plants of all paper manufacturers. They express the opinion that their own situation would be aggravated and they would be unable to meet the improved competitive position of other paper companies.

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Of the aforesaid interveners, Union Bag-Camp Paper Corporation, which has several other plants throughout the southeast (Lakeland, Fla., Spartanburg, S. C., and Jamestown, N. C.) is concerned chiefly with the possible adverse effect of the merger of Seaboard and Coast Line upon the transportation situation at its major plants at Franklin, Va., and Savannah. At Franklin, where about 1,500 persons are employed, are plants which produce printing paper, wrapping paper, pulpboard, and crude tall oil—675 tons daily capacity. The facilities are served by lines of Seaboard, Coast Line, and the Atlantic & Danville Railway. At Savannah, where about 5,000 employees operate, are plants producing wrapping paper, paper bags, pulpboard, corrugated paper boxes, tall oil and related products, rosin, and turpentine—2,500 tons daily capacity. Railroad service at Savannah is provided by both applicants, Central of Georgia, Savannah & Atlanta, and Southern. At these points, Seaboard and Coast Line handle most of Union Bag's railroad traffic.

Pulpwood used at the Franklin plant originates chiefly in areas of Virginia and North Carolina. Of about 342,000 cords received during 1960, about 52.5 percent were delivered by truck, 37.5 percent by railroad, and 10 percent by barge. About

190,000 tons of chemicals and other commodities were delivered by railroad, of which about 70 percent were moved by Seaboard and Coast Line, and 30 percent by Atlantic & Danville. Reliance upon truck transportation at Franklin developed because the railroad lines do not directly serve the wood producing areas which supply the paper company's plant. Thus, a large proportion of the railroad deliveries of pulpwood entail the application of combination rates higher than those which otherwise would be available. In 1958, Coast Line acquired a railroad line owned by the paper company[11] which extends 19.6 miles to a connection with Coast Line at Franklin Junction, and Union Bag began arrangements to increase its railroad delivery of wood. It now fears that the merged company, having the line of Seaboard serving Franklin, would abandon the Franklin Junction line, and deprive the company of the benefits anticipated at the time of the sale. In that event, even greater use of truck transportation would be necessary inasmuch as Seaboard's line does not permit direct service in the movement of pulpwood, and the Atlantic & Danville (which serves areas extending about 169 miles to Danville) cannot be relied upon as it is financially weak, has been in trusteeship for several years, and might be forced to cease operations at any time.

Union Bag's plant at Savannah received 1,258,000 cords of pulpwood during 1960, of which 1,143,328 cords, or about 90 percent, moved by railroad in 58,839 cars, mainly from wood areas in South Carolina, Georgia, and Florida, with lesser amounts from areas in North Carolina and Alabama. Of the 5 railroads handling traffic to the plant, Seaboard and Coast Line

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together moved about 57 percent of the pulpwood traffic. In

[11] Finance Docket No. 20025, **Atlantic Coast Line R. Co.—Purchase—Franklin & Carolina R.**, decided March 3, 1958, not printed in full.

the same year, the plant received 3,738 cars of materials other than pulpwood, of which 1,284 cars moved in local switch service, and the remainder involved line haul movements. Of the total line haul movements of such traffic, Seaboard and Coast Line together handled 1,334 cars or about 53 percent.

Outbound shipments from the Franklin plant generally are destined to points east of the Mississippi River and in the Southwest and the West. During 1960, such traffic totaled 218,076 tons, of which 125,854 tons, or 57.5 percent moved by railroad, and 92,222 tons, or 42.5 percent moved by truck. Of the railroad tonnage, Seaboard and Coast Line together handled 69 percent, and the Atlantic & Danville handled 31 percent. The Savannah plant ships to the entire United States and to many foreign countries. Its outbound tonnage in 1960 totaled 892,018 tons, of which the 630,448 tons were originated by railroads (including 55,664 tons involving local switching), 120,380 tons moved by truck, 46,184 tons by domestic water carriers, and 95,006 tons by export water carriers. Because of rate structure revisions by the railroads in February 1961, pertaining to paper and paper articles from all southern origins to southern and other destination territories, Union Bag anticipates that participation by railroads in outbound traffic would increase appreciably, and that the costs to the shipper for railroad service would become competitive with those applying to truck service.

The paper company also fears that it would suffer adversely from some of the future abandonments mentioned by the applicants, whether the portions of line in question are or are not directly concerned with operations at its plants. The assumption is that the abandonments would interfere with the established patterns of pulpwood procurement, and because other paper manufacturers would change their sources of supply, the capacity of the producing areas to continue providing the volume of wood which Union Bag requires would be impaired.

Under sueh circumstances, Union Bag asserts it would be obliged to shift its procurement areas to those involving greater distances, or to utilize higher costing multiple-line railroad service.

St. Regis Paper Company, another intervener, requests that in the event the merger is approved, the Commission require as a condition to its order, that the applicants sell to Southern or to St. Regis Paper Company, or, otherwise grant trackage rights over one of the existing lines of railroad from a connection with Southern in Jacksonville to the mill of St. Regis Paper Company at Quinlan, Fla. St. Regis engages in the manufacture and sale of kraft paper and board, paper of various types and specialties, fibreboard,

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bags, boxes, and other paper products, and also produces plastics, machinery, lumber, plywood, wooden boxes and other articles. The company has more than 100 mills and plants in 78 cities, including Atlanta, Savannah, Birmingham Louisville, Jacksonville, and Pensacola. Its concern with the possible effect of the merger herein, pertains primarily to railroad service at Jacksonville where it has a paper and board mill and two fibreboard box plants which represent investments of more than $65,000,000, and plants at Pensacola which account for investments in excess of $53,000,000. The Jacksonville plants are situated at a point identified as Quinlan for tariff purposes, about 10 miles north of the business district of Jacksonville within the Eastport industrial area. The Quinlan mill occupies about 200 acres of a tract having an additional 1,200 acres, owned by St. Regis, which are available for prospective future development.

St. Regis is aware that it would benefit to the extent that merger of the applicants' lines would result in minor reductions in rates on pulpwood due to decreases in the mileages involved.

However, it fears that considerably greater costs would arise from the future abandonment of trackage of the applicants which serve areas that presently comprise sources for the procurement of pulpwood. Cited as an example of prospective adverse effect, is what might happen if the line of Seaboard between Lumpkin and Montgomery (96.42 miles) were abandoned as shown by the applicants to have been recommended for consideration. Because that line serves an extensive wood production area upon which St. Regis relies for shipments to Quinlan and Pensacola, its abandonment would cause the loss of present yards for the concentration of producers' supplies, and force the utilization of longer truck hauls from the point of cutting to available railheads equipped to handle pulpwood mechanically. St. Regis contends that such a change in wood availability would involve added transportation costs, and under those circumstances, other paper companies would be able for the first time to compete for wood, and in turn, St. Regis would be compelled to expand its procurement territory to greater distances.

St. Regis' intervention is basically related to the feeling that the abandonment aspects proposed in the merger transactions are of grave importance to itself and other users of the applicants' services. The application to merge, and the manner of its prosecution is criticized as being faulty, because, it fails to indicate with specificity which of the various recommended abandonments actually would be subject to future applications for certificates. St. Regis alleges that the applicants have deprived the shippers of a reasonable opportunity to evaluate accurately the full effect upon themselves of the merger transaction and the related changes

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in lines of railroad and their operations anticipated in the future. Other reasons, similar to those mentioned by Union Bag, are expounded by St. Regis

in concluding that new competitive service by Southern if required as proposed, would afford assurance of more adequate car supply and willingness on the part of the merged company to adopt actions that would improve its service to the public.

Rebutting the evidence adduced by Southern, the applicants reveal that Southern's proposals to acquire and operate lines of Seaboard and Coast Line involves a total of 686 miles, most of which Southern asserts would be abandoned under the merger plan, while in reality, about 565 miles of those lines are not recommended for consideration of abandonment. Among the lines sought are portions which would be part of the merged company's primary freight lines to and from Savannah, Jacksonville, Montgomery, Birmingham, and Atlanta, and passenger lines to and from Miami, Tampa, and St. Petersburg; and in addition, acquisition of the line between Fort Myers and Naples, approximately 36 miles, as proposed, would eliminate operations by the merged company and establish Southern as the only railroad thereover. Graphs depicting the arrival and departure times of all regularly scheduled freight and passenger trains which the merged company would operate over the line between Savannah and Jacksonville (controlled by Central Traffic Control devices) demonstrate that the present trains which Southern operates over Coast Line's trackage between those points could readily be accommodated on Southern's schedules without excessive delays, primarily because operations of the merged company, as contemplated would be spread so that the southbound movements would be concentrated between 1 a.m., and 9 a.m., and the northbound movements would be concentrated between 4 p.m., and midnight.

Other rebuttal evidence represents that Southern's proposed operations within Florida as a competitor of the merged company would interfere with consolidation of passenger operations which the merged company otherwise could achieve; would perpetuate inefficient operation of freight and passenger

trains by each competing railroad over the lines they operate; would make it impossible to devote one line (via Wildwood) to freight operations primarily, and the other line (via Orlando) primarily for passenger operations; and would prevent the planned consolidation of the merged company's through passenger schedules and operation of solid through trains of freight in lieu of two or more lightly loaded separate trains. Other advantages which the applicants assert would be lost under Southern's proposals, pertain to the feasibility of improving efficiency of operations by consolidating traffic on proposed faster schedules over routes to and from the West via the gateways of Tallahassee, New Orleans, Montgomery, and Birmingham; the surrender of possible

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maximum utilization of the modern hump yard to be constructed at Jacksonville although its size and cost would be unchanged; and the inability to eliminate duplicative yards and other facilities which would release desirable sites for industrial development along the lines of the merged company.

The values of the annual savings which the applicants believe that Southern's proposals would deprive the merged company by limiting projected consolidation features, estimated on the basis of obvious items without further study, are shown as follows: $1,200,000 by reason of not being able to eliminate certain duplicative facilities at points served by Seaboard and Coast Line; $2,000,000 involved in continued operation of lines which otherwise would be abandoned; and $2,000,000 by not being able to consolidate passenger operations and eliminate trains presently operated. Also, the applicants estimate that Southern would be required to expend between $20,000,000 and $25,000,000 to improve certain of its lines to handle considerably greater volumes of traffic at high speeds, to construct new connections with the lines of Seaboard

and Coast Line, and to provide by-pass trackage to avoid the business district of Orlando and other improvements which testimony indicates Southern promised. The applicants also point out that portions of whatever sums Southern pays to purchase the lines and properties in question would be subject to Federal capital-gain taxes which, under the circumstances, would cause the transaction to be economically unsound. Because of mortgage commitments, the applicants assert that the bulk of any funds from the sale of the properties in question, after payment of taxes, would be obligated to mortgage trustees for bond retirement, and that because the net return to the applicants would be affected by income taxes and other deductions, the purchase price would not be equitable unless it is fixed so high that its payment might seem unreasonable. Similar difficulties are foreseen in the case of a long-term lease, since rental rates which the merged company could fix to constitute a fair net return after the payment of income taxes, might not be justified by the earnings which Southern could realize after payment of income taxes.

By detailed rebuttal against the computations and conclusions presented by Southern, the applicants show that since 1913 and 1916, Coast Line and Seaboard, respectively, have been the only railroads operating to and from the Eastport industrial area; that they have actively promoted its development; and have generated considerable inbound and outbound tonnage, especially since location there in 1951 of the plant of St. Regis, and the subsequent coming of other important industries. The applicants conclude that to permit Southern to serve the area as a condition to the proposed merger would not be warranted and would constitute an unjustified invasion. Likewise, the applicants refute the existence of any need in the public interest for Southern to operate railroad

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service in competition to the merged company in areas

of Florida not presently reached by Southern's own lines. Also, the applicants contend there is no logical reason for requiring the gateway at Jacksonville to be opened for participation by other railroads in regard to traffic moving to and from points in Florida on the lines of the merged company. This, it is asserted, would permit Southern's participation in the Florida traffic contrary to the terms of the long-standing voluntary agreement between Coast Line and Southern which restricts the latter's participation in such through routes. The applicants conclude that to require modification of the present restrictions on traffic via Jacksonville by imposition of the conditions suggested by Southern, would deprive the merged company of the customary right of railroads to seek to handle traffic over routes providing the greatest practicable distance via their own lines.

The applicants' position on the remaining conditions proposed by Southern is that there would be no objection to imposition of a requirement that Southern be accorded the right to cancel the Hardeeville-Savannah-Jacksonville trackage rights agreements and to abandon operations thereover, provided, that the option is limited to 6 months after consummation of the applicants' merger in lieu of the 2-year period suggested by Southern. Likewise, the applicants are agreeable to a condition that Southern have a 6-month option to request cancellation of existing trackage rights and abandonment of operations involving the line of Coast Line between Selma and Pinners Point. The applicants oppose the suggested imposition of a condition which would require the merged company to divest itself of the present holdings by Coast Line of capital stock of L-and-N. Further discussion of the position of the applicants in this connection appears hereinafter in reviewing the intervention of Illinois Central Railroad Company.

Central of Georgia Railway (Central) and affected inter-

veners. Central intervened in opposition on the premise that the proposed merger of Seaboard and Coast Line would jeopardize Central's continued handling of traffic to and from points in Florida in participation with one or both the applicants over existing through routes. Should such dissipation of its business occur, Central predicts that its future financial solvency and ability to continue operating would be endangered. In the event that the transactions are approved despite Central's position, it requests the Commission to impose a condition which would require the merged company:

> To grant to Central, trackage rights over the line of Coast Line between Albany, Ga., and Jacksonville, Fla., via Waycross, Ga., and over the line of Seaboard between Savannah, Ga., and Jacksonville, with adequate use of yard facilities for inbound

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> and outbound trains and cars, and for the servicing of locomotives and other equipment on a reasonable basis in the terminal train yards at Jacksonville; and the establishment of a full line of rates, routes, and divisions via Central's routes to, from, and via Jacksonville.

Central operates 1,744.93 miles of line, of which 1,252.96 miles, are within Georgia; 488.91 miles, are in Alabama; and about 3 miles in Tennessee. Its principal lines radiate from Macon, eastward to Augusta and Savannah; north and northwestward to Athens, Atlanta, and Chattanooga; westward through Columbus to Birmingham and Montgomery; and south and southwestward to Albany, Dothan, and Andalusia. Central serves 287 stations within Georgia, of which 243 are served by no other railroad; 111 stations in Alabama, of which 91 are local; and 2 stations in Tennessee, of which 1 is served only by Central; and it serves 65 points which also are served by one or more other railroads. Traffic is interchanged with 31 railroads at 42 stations, and with Seatrain Lines, Inc., a water carrier, at Savannah. Of the points where Central interchanges traffic,

Seaboard serves 15 points, Coast Line serves 12 points, L-and-N serves 6, and other Coast Line family lines (Atlanta & West Point Railroad, Georgia Railroad, and Western Railway of Alabama) at 8 points which are not also Coast Line interchange points. The only points where both Seaboard and Coast Line interchange with Central are Albany, Savannah, Atlanta, Birmingham, and Montgomery; and at the 3 points last named, L-and-N also interchanges traffic.

Central emerged from bankruptcy, July 1, 1948, under a plan approved in *Central of Georgia Ry. Co. Reorganization*, 261 I.C.C. 263, affirmed 267 I.C.C. 76. Based upon net railway operating income, Central's rate of return on investment after depreciation and amortization rose from 0.21 percent in 1949 to 4.14 percent in 1955, but, despite concentrated efforts to attract new business and reduce expenses, the rate of return decreased every year since 1955 to 3.19 percent in 1959, and 1.25 percent in 1960. In 1960, Central experienced a decline of $2,357,992 in total operating revenues under 1959 ($41,798,258 compared to $44,156,250); net railway operating income fell from $3,988,037 to $1,535,250; and net income fell from $2,313,680 in 1959 to $354,088 in 1960.

In conjunction with the applicants' traffic to and from points in Florida and southern Georgia, Central's participation concerns traffic from and to points in Western and Central Territories, in both directions, as follows: Interchange with Seaboard—at Columbus for movement to Birmingham and to a lesser degree Atlanta; at Macon for movement to Atlanta, Birmingham, and Chattanooga; and in fewer instances, at Savannah for movements to the foregoing junctions; and interchange with Coast Line—at Albany and to a less extent at Savannah

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for overhead movement to Atlanta, Chattanooga, and Birmingham. Traffic originating or destined to points on lines of

East Coast is interchanged with Central at Jacksonville by Seaboard or Coast Line for movement in the same manner as traffic to and from the applicants' stations in Florida. Central's overhead traffic also includes substantial movements involving other railroads to and from the junctions of Montgomery and Birmingham from and to Atlanta, Athens, Augusta, and Savannah in movements to points in South Carolina, North Carolina, and Eastern Territory.

Under the present separate operations of Seaboard and Coast Line, Central regularly joins with Seaboard in soliciting traffic for connection with other railroads at Birmingham and Atlanta in competition with Coast Line's routes. Central cooperates with Seaboard to assure favorable train connections and efficient service and otherwise coordinates operation of the through routes. The same situation prevails as to additional through routes involving other interchange points and gateways. Under similar practices, Central also handles Coast Line business interchanged at Augusta for movement to and from Atlanta and Birmingham. The merged company would institute new routes and improved schedules over the combined lines of Seaboard and Coast Line, and thus provide direct route service between its farthest gateways and the Florida and south Georgia origin and destination areas. Central anticipates that such action would eliminate it as a participant over existing through routes, and that its future business and revenues would be seriously damaged.

In view of the changes which it predicts would result because Seaboard and Coast Line cease competing against each other, Central disagrees with the applicants' conclusions that the merged company would divert only about $2,308,000, or 5.69 percent of Central's $40,594,000 total carload freight revenue (1957 data). It also submits that the totals shown by the applicants are understated in that they reflect estimated gains in revenues to the merged company and fail to consider

the additional losses incurred by Central, because in many instances its farthest movements between interchange points involve mileages greater than those between the interchange points which the merged company would use for its routes. Special studies were made to determine the extent of the changes in traffic and revenues, based upon records for July and October 1959, and January and April 1960, projected to show a year's results.

The studies indicate that the merged company potentially would be able to divert from Central traffic involving routes grouped separately as to interline forwarded, interline received, overhead, local and miscellaneous, which moves via Central in conjunction with Seaboard or Coast Line and

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other railroads at stations also served by the applicants, aggregating (1) 47,466 carloads which provide annual revenues of $2,404,289, calculated on the basis of 80 percent of the total carload freight in overhead movements received or delivered at Macon, Columbus, and Savannah in connection with Seaboard and Florida East Coast; (2) $272,977 loss on other traffic presently interchanged with Seaboard; and (3) $578,075 loss on present traffic interchanged with Coast Line which would be diverted to the combined routes of the merged company (including $125,170 additional revenue accruring on traffic interchanged at Albany which had been understated in the applicants' estimates). In total, Central contends that $3,255,341 revenues per year would be diverted as a result of the proposed merger. It perceives of no new or other traffic that would be available to replace the revenues that would be diverted from Central upon the merger being consummated.

In view of the injuries which it fears it would suffer, Central insists that the conditions it suggests, *i.e.*, trackage rights over the applicants' Savannah-Jacksonville and Albany-Jacksonville

lines with the establishment of rates, routes, and divisions thereover; should be imposed as prerequisites in the event the merger of Seaboard and Coast Line is approved. Central asserts that such extensions of its lines would permit maintenance of competitive through freight train schedules between Jacksonville and Atlanta and Jacksonville and Birmingham, and to and from other junctions at which overhead traffic is interlined, and would afford control over its schedules for greater distances than it presently is able to control. Central contends that the trackage rights would provide it with additional gross revenues in the amount of $2,139,398 annually. The estimate is based upon re-rating of traffic which Central interlines with the applicants, based upon existing divisions via the Jacksonville gateway; and upon assumptions that Central would be able to retain its present forwarded and received interline traffic through Jacksonville, and about 20 percent of its overhead business in connection with the applicants' lines. Central would require no additional engines in such operations, and calculates that payment of reasonable charges for the proposed trackage rights and for joint use of the merged company's yard and facilities at Jacksonville would result in satisfactory net revenues to Central. Even if the conditions are imposed, Central concludes that the merged company would have a virtual monopoly of railroad transportation in Florida, and much of Central's overhead traffic would continue to be in jeopardy.

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Savannah & Atlanta Railway Company (Savannah,) a wholly-owned subsidiary of Central, in its separate intervention herein, alleges that the proposed merger, if consummated, would divert a substantial portion of its traffic and revenues. Savannah operates 114.1 miles of line entirely within Georgia extending from Port Wentworth and Savannah in a northwestward direction to Camak. It connects with the Georgia Railroad at Camak, with the Georgia & Florida Railroad at Torbit,

with Central at Waynesboro, and with Central, Coast Line, Seaboard, Southern, and Seatrain Lines at Savannah. Savanah's traffic during 1958-60, inclusive, averaged 69,304 carloads totaling 2,873,488 tons per year. Of the carloads handled, with slight variations as to percentage equivalents, about 45 percent involved interline traffic forwarded from points on Savannah's line; 30 percent involved interline traffic received for delivery at such points; 16 percent was overhead traffic, and about 9 percent was local to Savannah's lines. Generally, the interline traffic originates or terminates at points in Southern Territory or in territories west of the Mississippi River and north of the Ohio River; and the overhead traffic involves Florida points on the one hand, and on the other, territories in Ohio, Indiana, Illinois, and Michigan. The overhead cars are moved in bridge service between lines of Seaboard and Coast Line connecting at Savannah, and the Georgia Railroad connecting at Camak. Of Savannah's gross freight revenues annually during the same years, which averaged $4,094,426, about 10.3 percent was produced by the overhead traffic.

Savannah asserts its belief that Seaboard and Coast Line each provides it with overhead traffic chiefly as a method of frustrating competitive attempts by the other to secure more favorable participation in the through movements. Because the merger would eliminate the competition between the applicants, Savannah concludes that substantially all the overhead traffic to and from merged company would be lost, and that such diversion would represent the measure of damage to Savannah. Based upon Savannah's 1960 overhead operations, the loss from diversion of overhead traffic would amount to $441,085 which accrued on cars handled in conjunction with Seaboard and Coast Line to and from points in Florida, rather than $118,081 which the applicants estimate that Savannah would lose. Additionally, Savannah is concerned with what the effect of the merger would be upon the Georgia Railroad, which the applicants estimate would lose $1,400,116, or 19.81

percent of its total carload freight revenues per year. Despite the absorption of such losses by Coast Line and L-and-N as lessees, Savannah

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fears that the position of the Georgia Railroad would deteriorate and its ability to continue to operate and maintain satisfactory connecting schedules would be jeopardized. In that event, Savannah foresees that the overhead traffic now available in connection with the Georgia Railroad also would be diverted and leave Savannah with practically no overhead traffic.

Central's counsel offered to produce more than 100 witnesses to oppose the proposed merger and related consolidations of facilities and routes and abandonment of lines of the applicants, and generally to support the position of Central. Following statements by the examiner that the cumulative evidence rule would be applied as to any repetitive testimony, 11 representative of shippers who use the services of Central and Savannah, and 19 civic organizations and public officials of communities along the lines of Central were sworn and heard. Objections to the exclusion of additional witnesses were made, and in several instances, proffers of the testimony which would have been adduced were accepted to accompany the record. The complained-of rulings are consistent with actions concerning evidence offered by the applicants and by other interveners and constitute proper exercise of the examiner's functions.

The shipper witnesses represent manufacturers, producers, distributors, contractors, and dealers with headquarters and plants and warehouses located at Macon, Newman, Milledgeville, Americus, Wadley, Griffen, Dawson, and Blakely, Ga., and Sylacauga and Dothan, Ala. The industries which the witnesses refer to include various aspects of the production and marketing of brick, tile, heavy building materials, aluminum and aluminum extruded forms, textiles, clay, shale, wood veneer con-

tainers, crushed stone, gravel, cement, highway construction equipment, groceries, fertilizer ingredients and fertilizers, bicycles and toys, cotton, and peanuts. Each company has one or more plants at the points named or at other points on the lines of Central and Savannah, and is served either by one of those railroads, or, also by direct lines of other railroads or under reciprocal switching arrangements. Individually, the concerns either use railroads predominantly for inbound or outbound movements and utilize truck service for most of their transportation needs in the reverse direction, or, utilize railroads for movements in both directions:

The shippers generally desire to assure that Central would be protected against any serious

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diversion of traffic by the merged company. They are convinced that the prospective diversion would cause decrease of Central's revenues and permanently damage its financial stability. Premised upon such beliefs, the shippers fear that Central would be forced to reduce its service, and otherwise would become unable to provide cars as required, and to operate trains and schedules suitable to the shippers' needs. Those companies which also are served by other railroads are especially interested in the continued maintenance of competition between railroads. Unless the competition is retained, those shippers fear they would lose the privilege of bargaining with each available railroad to produce improvement in service and to establish more favorable rate considerations.

The foregoing attitudes of Central and its patrons were supported by one or more officials and other representatives of local governments, members of State legislature, chambers of commerce, and trade organizations of Americus, Metter, Statesboro, Rome, Eatonton, Dublin, Millen, Sandersville, Milledgeville, and Savannah, Ga., and Sylacauga and Mont-

gomery, Ala., and the counties in which several of those points are situated. The organizations support Central and the general efforts to secure protection against the end of friendly cooperation by Seaboard, and the diversion of Central's traffic by the merged company. Opposition to the merger also is expressed on the grounds that the applicants intend to abandon the line between Lumpkin and Montgomery, which would leave areas and communities without railroad service, or, with one less railroad available. They also protest against the possible loss of railroad employment within their areas which might be the direct result of proposed consolidation of the applicants' facilities, or an indirect consequence of the adverse effect upon competing railroads because of the improved position of the merged company to compete for traffic. The attitudes and expressions of the shippers and the public witnesses on behalf of affected communities is reiterated in testimony of officials of the public service and utility regulatory bodies of Georgia and Alabama.

Several of the witnesses representing interests in Georgia, asserted their personal apprehension of the effect of the proposed merger upon the Georgia Railroad, on grounds essentially identical to their position in regard to Central. In addition, others including a major roadbuilder and general contractor of Augusta, which operates throughout the southeast, a pulpwood and lumber dealer of Harlem; a manufacturer

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of boxes and wood products at Thomson; a manufacturer of plastic rainwear at Washington; and merchants, and bankers at Jonesboro, Greensboro, and Thomson, each of whom also rely to some extent upon the availability of railroad service, oppose the merger of Seaboard and Coast Line because of the possible detriment to the interest of the Georgia Railroad. Also heard in the same vein were members of the Georgia legislature from several of the affected counties and points. Rulings

against cumulative evidence excluded other witnesses who desired to present similar statements.

Concern for the interests of the Georgia Railroad, which is operated by Coast Line and L-and-N jointly under a 100-year lease to expire in 1980, was elucidated by a commissioner of the Georgia Public Service Commission and by a director of the Georgia Railroad & Banking Company, which owns the properties of the Georgia Railroad. Each asserts their groups are not opposed to railroad mergers *per se*, but, that the interests of the Georgia Railroad require preservation of its ability to compete with other railroads. They insist that the existing situation must not be impaired, and that a guarantee thereof is of greater public interest than approval of the merger and assimilation of the applicants. In this connection, they emphasize that Seaboard and Coast Line are large, successful railroads of sound financial stature, and neither is subject to any present or foreseeable future danger of loss of its power to continue in such position. The witnesses believe that Georgia Railroad would deteriorate as an active operating carrier, despite the remainder of the lease term, in the event the merger of Seaboard and Coast Line becomes a reality and traffic is diverted from the Georgia Railroad's lines for movement over the combined lines of the merged company. Practically the identical position as to the adverse effect is recited in regard to the position of the Georgia & Florida Railroad Company, an independently owned carrier which has been in receivership for many years, operates a minimal service, and has lost money consistently for at least 15 years.

Gulf, Mobile & Ohio Railroad Company (Gulf). Gulf requests that the proposed merger be denied. However, in the event the Commission finds that approval of the transaction is warranted, Gulf requests imposition of a condition that would require Coast Line or the merged company to divest itself of any financial interest in L-and-N.

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Gulf operates between Chicago on the north, and Mobile and New Orleans on the south, and on its lines serves St. Louis, Kansas City, Memphis, Jackson (Miss.), Birmingham, and Montgomery. At the two points last named, Gulf connects with lines of Coast Line and Seaboard for the interchange of traffic. It also serves various stations in common with L-and-N, including St. Louis, East St. Louis, Union City, Humboldt, Jackson, Memphis, Tuscaloosa, Mobile, and New Orleans. The industries served at the principal points are reached by terminal switching lines accessible to all railroads, or, the railroads participate in reciprocal switching arrangements.

During 1960, the interchange of revenue carload traffic between Gulf and its various connecting railroads totaled 273,884 carloads; and together, interchange with Seaboard (17,522 carloads) and Coast Line (15,921 carloads), account for 12.2 percent of Gulf's total interchange traffic. Data for 1960, (somewhat less in each category than the average during 1957-60) shows interchange with Seaboard and Coast Line, as follows:

	Montgomery		Birmingham		
	SAL	*ACL*	*SAL*	*ACL*	*Totals*
Received by Gulf	5,431	3,366	837	2,940	12,574
Delivered by Gulf	7,728	7,822	3,526	1,793	20,869
Total carloads	13,159	11,188	4,363	4,733	33,443

Gulf takes issue with the applicants' estimates that the merged company probably would divert $99,341 revenues from Gulf, principally by means of changing the present point of connection from the Montgomery gateway to Birmingham in the handling of traffic to and from points served by Seaboard in Florida and Georgia. As shown, the changover would permit participation in the through routes by L-and-N rather

than continuation of the routing in conjunction with Gulf, and would result in the merged company increasing the length of the haul over its own lines and receiving additional revenues of $283,940 as its proportion of the joint rates. Based upon studies of interline settlements during May 1960 expanded by factors to reflect applicable ratios for each separate category of traffic during the entire year, Gulf submits that under the applicants' plans related to rerouting the present traffic, Gulf's loss of revenues would total $291,210 annually. Such estimate includes considering as divertible several groupings of traffic, such as that interchanged

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with Coast Line at Montgomery, although the applicants cite bases for concluding that such categories generally would not be subject to diversion by the merged company. Among other premises applied, the calculations presume that Gulf's power to hold the interchange traffic it presently handles, with the exception of traffic originating or terminating on Gulf's own lines, would be absolutely ineffective against the merged company's counter solicitation efforts.

In the same vein, Gulf asserts that the merged company would deprive it of $1,332,676 revenue on 6,651 carloads of interchange traffic presently handled in conjunction with Seaboard, plus $1,518,128 revenues on 6,665 carloads interchanged with Coast Line, in the event the merged company influences the routing of traffic in favor of interchange with L-and-N instead of in favor of continuing the interchange with Gulf at Montgomery and Birmingham. Gulf contends that the modifications of routes would be possible only because Seaboard and Coast Line, as integral members of the merged company, would cease competing against each other, and, at the same time Coast Line's present proprietary interest in L-and-N would continue. Gulf subscribes to the position of

other railroad interveners herein, that the conditions suggested by the applicants to require maintenance of existing routes and gateways would not adequately protect Gulf and its future capabilities.

Illinois Central Railroad Company and affected interveners. Illinois Central avers that it does not oppose the merger of Seaboard and Coast Line, except to the extent that the applicants propose to transfer to the merged company, the capital stock of L-and-N which presently is owned by Coast Line. Illinois Central requests the Commission to impose as a condition upon approval of the proposed merger, the following:

> That the Atlantic Coast Line Railroad Company, or, Seaboard Coast Line Railroad Company (the merged company) be required to divest itself of the capital stock of L-and-N, now owned by Coast Line.

In consonance with the objective that divestiture be required, on October 10, 1960, Illinois Central filed an application under section 5(2) for authority to acquire stock control of L-and-N, identified as Finance Docket No. 21313. Such action was filed in anticipation that the Commission would impose the foregoing condition and would require sale of Coast Line's holdings of stock of

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L-and-N to Illinois Central at a price per share which Coast Line and Illinois Central might agree upon, or, which the Commission would find to be reasonable. A request that the foregoing application be heard on a consolidated record with the instant merger proceeding was denied by order dated November 14, 1960, and proceedings upon Illinois Central's application were deferred pending a decision in the principal proceeding.

Illinois Central operates 6,205 miles of main and branch lines of railroad situated in 14 States. Its primary routes ex-

tend north and south along and generally east of the Mississippi River from Chicago to New Orleans, serving St. Louis, Cairo, Memphis, and Baton Rouge, with routes extending to Indianapolis, Louisville, Jackson (Tenn.), Birmingham, Meridian, and Gulfport (Miss.), and other industrial centers within the States affected. It also has routes west of the Mississippi River from Omaha, Sioux City, Sioux Falls (S. D.), Albert Lea, and Madison, to Chicago, and from Shreveport and Monroe to Vicksburg. The chief route of Illinois Central in the handling of through traffic between the Mississippi River Valley and midwest areas on the one hand, and on the other, the Southeast including the Carolinas and Florida, is via the Birmingham gateway. The only points of connection with the applicants' lines are at and within the Birmingham district, but, Illinois Central has 20 points of interchange with lines of L-and-N, the more important of which are Birmingham, Martin (Tenn.), Memphis, Evansville, and Louisville. It also connects with southern territory railroads at Meridian, Memphis, New Orleans, Martin, and Louisville. Generally, Illinois Central and L-and-N compete with each other east of the Mississippi River, and participate jointly in competition with Seaboard and Coast Line.

Interchange of carload traffic between Illinois Central and Seaboard and between Illinois Central and Coast Line increased each year (with minor exceptions) between 1950 and 1960. The growth in the number of cars delivered to Seaboard compared to the number received from Seaboard during the 11-year period, was considerably more favorable to Illinois Central than the comparable relationship of growth involving interchange cars delivered to and received from Coast Line. Illinois Central's deliveries to Coast Line increased sharply during the period, while the receipt of cars from Coast Line showed only a slight percentage increase. The disparity in the ratios is attributed by Illinois Central to the admitted policy

of Coast Line to favor L-and-N whenever permitted to do so by conditions of convenience and freedom from the prospect of any substantial

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diversion of interchange by the connecting carriers. The total number of cars interchanged directly at Birmingham, and the relative rate of growth of the delivered and received categories in 1950 and 1960, are shown as follows:

Birmingham Interchange	*1950*	*1960*	*Percent of Growth*
Ill. C. delivered to Seaboard	6,583	9,339	42
Ill. C. received from Seaboard	2,072	3,305	59
Total Ill. C.—Seaboard	8,655	12,644	46
Ill. C. delivered to Coast Line	4,969	12,700	155
Ill. C. received from Coast Line	6,169	7,273	18
Total Ill. C.—Coast Line	11,138	19,973	79

Seaboard's routes between Birmingham and points in Florida and elsewhere in the Southeast are circuitous compared to the combination route via the line of Central of Georgia between Birmingham and Columbus. For that reason, Central is extensively utilized as an overhead carrier in connection with Seaboard and to a lesser extent in connection with Coast Line routes. During 1960, the interchange between Illinois Central and Central totaled 35,476 cars, of which approximately 41 per cent were involved in prior or subsequent interchange with Seaboard and Coast Line. The total direct and indirect interchange of loaded cars between Illinois Central and Seaboard or Coast Line during 1960 is estimated to involve 73,642 cars, in conjunction with which, revenues of approximately $15,000,000 accrued to Illinois Central. Approxi-

mately 65 percent of the foregoing total interchange traffic with the applicants is effected at Birmingham by direct interchange with Illinois Central. The applicants concede as likely that Illinois Central's interchange with Central would decline under merged operations because the present Seaboard traffic would be routed directly to Birmingham over Coast Line's present route.

Studies of the Birmingham interchange traffic for February and September 1960, expanded by a factor of 6 to approximate annual totals, show that the applicants presently interchange 48,030 cars with Illinois Central at Birmingham (19,920 with Coast Line, 13,434 with Seaboard, and 14,676 with Central as intermediate carrier). Illinois Central fears that by the exercise of the acknowledged plan to prefer connections with L-and-N at its northerly gateways instead of with Illinois Central at Birmingham, the merged company would cause future diversion of 12,328 carloads and the loss of approximately $2,960,269 of Illinois Central's annual revenues. The loss of

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such traffic and revenues, conceivably would cause Illinois Central to reduce or eliminate the daily scheduled trains into and out of Birmingham as the demand for such service diminishes. Further, Illinois Central believes it would be unable to defend itself against diversion of traffic to the merged company's new through routes and the combination of such routes with those of L-and-N. In that connection, the applicants admit that existing policies of Coast Line, which favor the interchange of through traffic with L-and-N, would be applied by the merged company in its relations with the latter as a family line.

Illinois Central is convinced that it would receive no practical benefits if the Commission should impose the several conditions to which the applicants assent as a means of safe-